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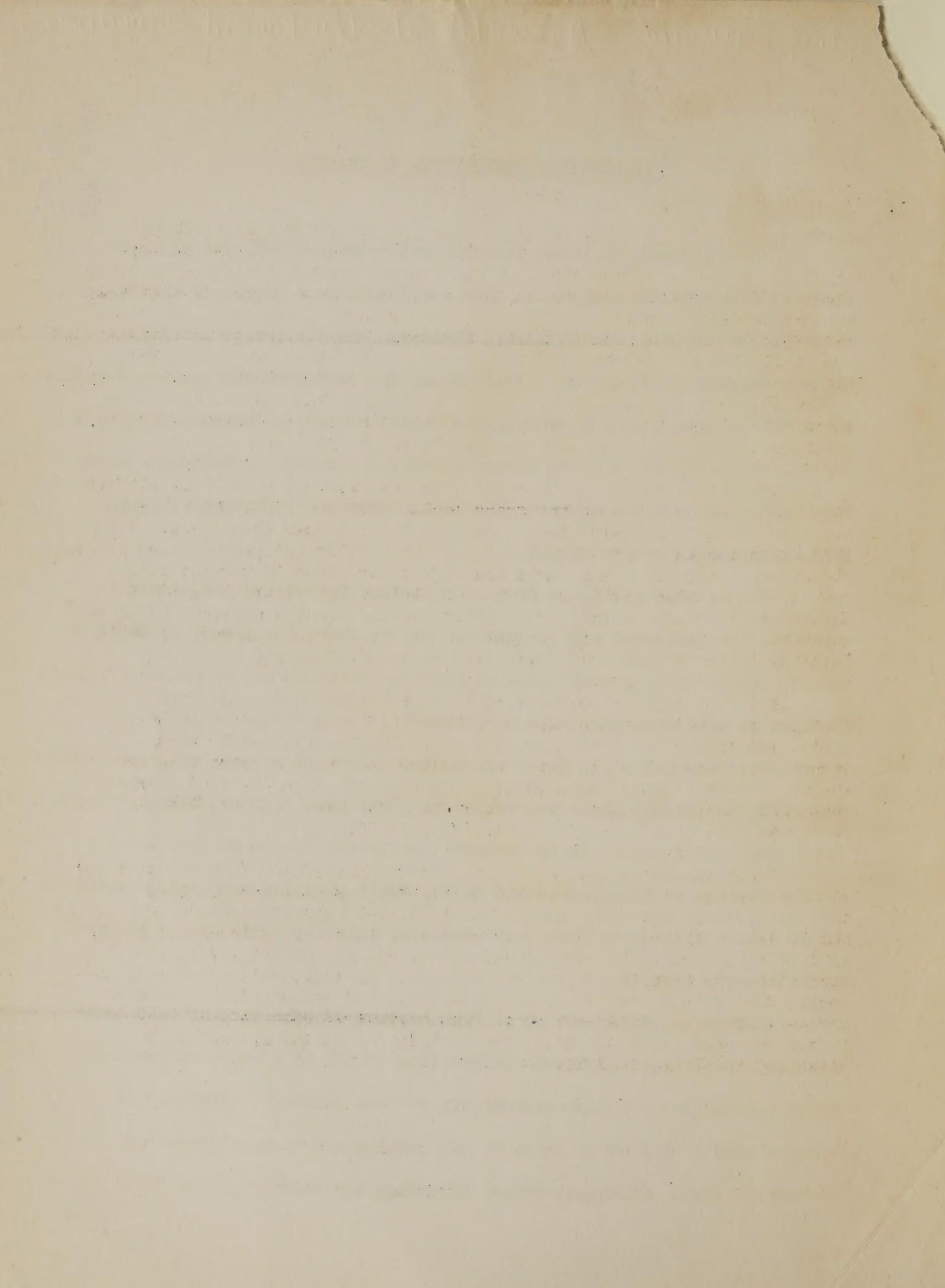
## I. INTRODUCTION

Farmers could get along formerly with comparatively few economic facts. They were not meshed, as they are today, in a tangle of complex relationships involving the industry, business, and finance of the entire world. American agriculture a century ago was comparatively self-sustaining; it could be jarred but not shaken to its foundations by happenings abroad. It was not so geared to a world mechanism that detailed information about that mechanism was necessary to its very existence. ("Economic Trends Affecting Agriculture", Page 1)

In the most primitive forms of economic society--in an economic society, for instance, such as that of the pioneers who opened up what are now the great agricultural areas of America--every family is self-sufficient. ("Achieving a Balanced Agriculture", Page 6)

Our pioneers built their own homes, raised their own food, wove their own clothing, taught their own children. They knew just how much of everything they would need: their struggle was to get that much, for because of the variety of things they had to do, their energies were barely sufficient to produce a minimum of what they needed to exist. ("Achieving a Balanced Agriculture", Page 6)

Things are different now. What happens off the farm affects agriculture vitally.....Economic information useful to farmers no longer means information relating exclusively or even mainly to farming. It touches practically every phase of our complex and highly integrated economic system. ("Economic Trends Affecting Agriculture", Page 1.)



## III. THE FALL OF FARM PRICES 1909-1914 TO 1933

### Changing Relationships Between Gross Farm Income and Operating Costs

Farm income is now about at the pre-war level and outlays for such items as fertilizer, feed, farm implements, and hired labor are also down to their pre-war levels or below, but the outlays for interest and taxes while they have been reduced noticeably from the high levels of 1929 and 1930 are still about 80 percent higher than they were before the war. Among the farm costs, these two items have been the most inflexible, taking the entire post-war period into account, and they now take nearly twice the share of the farmers gross income that they did before the war. ("Facts Relating to the Agricultural Situation in 1934", Page 31)

Gross farm income in 1933 and 1934 was restored to a level slightly below the pre-war average, the gross income from livestock and livestock products being relatively higher than the gross income from crops. The 1933 expenditures for feed were only slightly below the pre-war expenditures, with expenditures for farm wages and fertilizer about 30 percent below and for farm implements about 55 percent below, but interest payments on mortgages and taxes on all farm property which had also declined after 1930 were still approximately 80 percent higher than before the war. ("Facts Relating to the Agricultural Situation in 1934", Page 34)

Interest and tax payments in 1933 were less burdensome than in 1932 due to the improvement in farm income and some reduction in these costs, but they still took more than 16 percent of the total gross income compared with 12 percent before 1930 and about 9 percent before the war. Farmers paid out a smaller proportion for wages, feed, implements and fertilizer than in any year since the war. ("Facts Relating to the Agricultural Situation in 1934", Page 35)

While the total volume of domestic consumption of farm products has remained fairly stable, the volume of exports has declined sharply. Before this depression, the farm value of agricultural exports amounted to approximately 1-1/2 billion dollars compared with a total gross income of nearly 12 billion dollars. Between 12 and 15 percent of the total volume of farm production was exported during those years. By 1931, this percentage had declined to 7, and for the season 1933-34 it had increased to nearly 10 percent. We are thus exporting in volume about 30 percent less than before the depression set in. ("Facts Relating to the Agricultural Situation in 1934", Page 11)



(3)

Gross Income from Farm Production, Farm Value of Exports and  
Ratio of Exports to Production, U. S., 1909-1933. \*

Year	Approximate		Ratio of Exports to Production
	Gross Income	Farm Value	
	from Farm Production	Exports	
	: Million Dollars	: Million Dollars	: Percent
1909	:	6,238	10.5
1911	:	6,372	14.1
1913	:	6,975	14.6
1915	:	7,595	15.3
1917	:	12,832	13.4
1919	:	16,935	19.3
1921	:	8,927	16.7
1923	:	11,041	13.8
1925	:	11,968	12.2
1927	:	11,616	13.2
1929	:	11,941	10.4
1931	:	6,968	7.0
1933	2/	6,256	9.9

- 1/ Crop year for crops; calendar year for livestock and livestock products.  
2/ Preliminary. Estimate for 1933 includes \$271,000,000 income from rental and benefit payments.

\* Division of Statistical and Historical Research, Bureau of Agricultural Economics. Compiled from reports of the Bureau of Foreign and Domestic Commerce and records of the Division of Crop and Livestock Estimates.

Agricultural prices in general have risen to the pre-war level from the unusually depressed levels that prevailed in the 1932-33 season. Farm prices have returned to their pre-war level and prices paid by farmers have risen to about 125 percent of pre-war, leaving a substantial part of the farm price disparity yet to be wiped out. ("Facts Relating to the Agricultural Situation in 1934", Page 16, 17)

With the removal of surpluses in grains as the result of the poor growing conditions in 1933 and the unusual drought and adjustment programs in 1934, prices which averaged 37 percent of the pre-war level in October 1932 advanced to 109 percent in October 1934. Similarly, cotton and cottonseed prices which were down to 51 percent of the pre-war level in October advanced to 107 percent by October 1934..... In the other commodity groups, the price advances have not been as marked; for being largely dependent on the domestic market, they had previously declined less than the commodities dependent also on international demand and exchange conditions. ("Facts Relating to the Agricultural Situation in 1934", Page 16)



Contrasted with prices that prevailed before the depression the October 1934 prices of grains were only 5 percent lower and cotton and cottonseed prices 27 percent lower. The other groups of commodities were somewhere between 33 and 55 percent below their levels in October 1928. ("Facts Relating to the Agricultural Situation in 1934", Page 16)

#### Gross Income from Farm Production, 1909-1933

The production of crops in 1933 brought a gross income of approximately 80 percent of the pre-war level and the sale of livestock and livestock products brought a gross return of about 99 percent of the pre-war level. Including benefit payments, the total of gross income from crops and livestock represented 92.5 percent of the pre-war income compared with 78.9 percent in 1932. ("Facts Relating to the Agricultural Situation in 1934", Page 16)

Prices paid by farmers which averaged 152 percent of the pre-war level in 1929 had declined to 105 percent of the pre-war level in October 1932 and have since advanced to 126 percent by October 1934. In October 1932 prices received by farmers at 64 percent of the pre-war level had a purchasing power of only 61 percent of the pre-war purchasing power. This has increased to 79 percent in October 1934 as a result of the general level of farm prices rising to the pre-war level. ("Facts Relating to the Agricultural Situation in 1934", Page 44)

#### Buying Power of Cotton and Cotton Seed

The articles that cost a farmer slightly over one and one-half bales of cotton in the period from 1910 to 1914, cost him three bales in 1930. The large crop of 1931 caused cotton prices to fall still lower, and in that year the farmer had to pay five bales of cotton for the same list of articles. Large surpluses increase the "disparity" between cotton prices and the prices of things the farmer buys.  
(Rotoprint, CM-1, Release for Week of December 11.)

#### Buying Power of Hogs

Based on the fair exchange relationship with prices of things farmers buy, hogs during the past decade have had materially less purchasing power than they had in the pre-war period. In 1933, it took about eight hogs to buy what three hogs would buy in the 1910-1914 period as indicated above. In all the years since 1920-1921 (excepting in 1925-1926 when there was a temporary reduction in hog supply) the purchasing power of hogs has been on a general downward trend. In 1932, the fair exchange value of hogs was \$7.75 per hundred-weight. The prices of things farmers buy averaged slightly above their pre-war level. But the actual farm price of hogs in 1932 was only \$3.47 per hundredweight, or \$4.28 below fair exchange value. Fair exchange value means the pre-war price for hogs only when the price for things farmers buy is at the pre-war level. If the prices of things farmers buy become double their pre-war level, then the fair exchange value will be double the pre-war price of hogs.  
(Rotoprint, CHM-1.)



Buying Power of Wheat

In 1914, 8 sacks of wheat would buy a pair of shoes, a barrel of flour, a chair, and a plow. In 1925 it took 9 sacks of wheat to buy the same set of articles. In 1930 it took 19 sacks of wheat, and early in 1933 it took 22 sacks of wheat. The cause of the low buying power is too great a supply. (Rotoprint, WM-1)

Since 1928, when the world supplies of wheat first became burdensome the price has been low for the most part.....When the supply is low, the world will pay a good price for wheat, but when supplies are too big, the world won't pay as much. As supplies have climbed, the price has sunk lower. (Rotoprint, WM-2)



### III. WHY PIONEER AMERICA (1790-1920) COULD PRODUCE TO CAPACITY

The growth of population in the United States is probably unprecedented in the history of the world. The census of 1790 counted 3,929,000 people, and that of 1930 counted 122,775,000. The increase alone between 1920 and 1930--about 17,000,000--- was almost as great as the total population of Canada and Australia at the present time. Since 1930 the population of the Nation has increased to about 127,-000,000. The rapid increase of population stimulated the swift development of industry, the extraordinary progress of commerce and transportation, and the great expansion of agriculture which occurred in the United States prior to 1930, and thus promoted the increase of land values. ("Report of the Land Planning Committee of the National Resources Board", Page 92)

#### Growth of the City

The last census showed that the large cities have increased greatly in population and area.....Three-fifths of the total population increase occurred in five well-defined groups of cities which had but 26.2 percent of the Nation's population in 1920. The cities in these five groups increased 36.1 percent between 1920 and 1930, compared with a 9 percent increase for the remainder of the United States and 16.9 percent for the metropolitan districts not included in these five groups.....Approximately 38 percent of the total population, is crowded on 0.002 percent of the total land area of the United States. ("Report of the Land Planning Committee of the National Resources Board", Page 144-145)

#### Improved Machinery Reduced Need for Farm Workers

Farm machines released from agriculture a large proportion of the man power needed for the industrialization of the Nation. Undustrialization in turn, greatly increased the Nation's requirements for agricultural products and its ability to purchase them. The Civil War stimulated a great increase in the use of all types of farm machinery, enabling a smaller number of agricultural workers to produce the necessary food supply. ("Report of the Land Planning Committee, Page 92)

With the progress of science and invention, the proportion of the population required for agricultural production declines. It now takes only about 10,000,000 persons to supply the home market and to furnish a considerable quantity of farm products for export. The United States has land and labor enough to supply all probable demands for farm products many times over. Agricultural prosperity depends absolutely on restraining production through a balanced use of these resources. ("Economic Trends Affecting Agriculture", Page 34)

Between 1900 and 1910 internal combustion engines were introduced for use on farms. The World War period created a serious shortage of farm labor in conjunction with an acute scarcity of agri-



cultural products. Development of the farm tractor reduced labor requirements in agriculture while making it possible to put new land under cultivation..... As a result of these and other improvements it is estimated that the efficiency of human labor in agriculture has increased approximately 30 percent on the average for the entire United States since 1909. ("Report of the Land Planning Committee of the National Resources Board," Page 92.)

Industrial conditions affect agriculture vitally. Industrial output in this country increased tremendously from 1900 to 1929, without a proportionate increase in the number of factory employees. When industrial activity declined in 1930, 1931, and 1932, wiping out the per capita increase of the previous 30 years, factory employment diminished so greatly that the purchasing power of the urban community fell by more than half. In these circumstances farm products could not be sold except at sacrifice prices. ("Economic Trends Affecting Agriculture", Page 4.)

In the nineteenth century, and during the first decade and a half of the twentieth century, the trend of agricultural prices was generally upward and the trend of nonagricultural prices downward. Both groups of prices moved upward together under the stimulus of the War of 1812 and under the stimulus of the Civil War. In like manner they rose together during the World War. Following the crisis of 1929, agricultural prices dropped to the low levels of the 1890's, whereas the average of other prices dropped only to the pre-war level. ("Economic Trends Affecting Agriculture", Page 41)

Farm products generally rose in exchange value in the century preceding the war. As the country became more and more industrialized, the domestic market for agricultural commodities improved and the prices of factory goods declined. ("Economic Trends Affecting Agriculture", Page 42)

#### Our Declining Exports

American agriculture has been developed to produce not merely for the home market but for the world market. Almost from its inception it has exported a substantial fraction of its output. When any country, from year to year, has an exportable surplus of a commodity or group of commodities, the prices realized for the export surplus determine, in a normal market, the prices obtainable for the whole supply. The table shows how the export proportion of our farm production has declined since the war. There has been no corresponding decline in our total farm production, which on the contrary has increased. Declining exports with mounting production naturally mean mounting surpluses. ("Economic Trends Affecting Agriculture", Page 22)



Gross Income from Farm Production, Farm Value of Agricultural Exports, and Percentage of Production Exported, 1919-32

Year	Gross Income from Farm Production		Farm Value of Exports		Gross Income from Farm Production		Farm Value of Exports	
	Approximate Farm Production	Value of Exports	Approximate Farm Production	Value of Exports	Approximate Farm Production	Value of Exports	Approximate Farm Production	Value of Exports
	Million Dollars	Million Dollars		Percent		Million Dollars	Million Dollars	Percent
1919	16,935	2,682	1926	15.8	1926	11,480	1,423	12.4
1920	13,566	1,745	1927	12.9	1927	11,616	1,528	13.2
1921	8,927	1,390	1928	15.6	1928	11,741	1,435	12.2
1922	9,944	1,313	1929	13.2	1929	11,918	1,215	10.2
1923	11,041	1,427	1930	12.9	1930	9,414	709	7.5
1924	11,337	1,828	1931	16.1	1931	6,911	467	6.7
1925	11,968	1,464	1932	12.2	1932	5,143	.....	* 6.5

\* - Estimated

Gross Income from Farm Production, Farm Value of Agricultural Exports, and Ratio of Exports to Production, United States, 1919- 1932. \*

Year	Gross Income from Farm Production (million dollars)	Approximate Farm Value of Exports (million dollars)	Ratio of Exports to Production (Percent)
1919	16,935	2,682	15.8
1921	8,927	1,390	15.6
1923	11,041	1,427	12.9
1925	11,968	1,464	12.2
1927	11,616	1,528	13.2
1929	11,918	1,215	10.2
1931	6,911	467	6.7
1932	5,143	.....	6.5

\* ("Economic Trends Affecting Agriculture", Page 22)



#### IV. HOW THE WAR USHERED IN A NEW ERA

##### Curtailment of European Production

The war rushed us out headlong to world markets. Fifty million acres of Europe, not counting Russia, were out of cultivation. ("America Must Choose", Page 4.)

The increased needs of the European countries arising out of the war enormously stimulated American trade with Europe. The United States sold cereals. The United States sold cotton for uniforms and for explosives. The United States sold ships, locomotives, tractors. The United States sold tobacco. And the United States sold munitions of war. ("Agriculture's Interest in America's World Trade", G-26, Page 9)

It will be noted that exports of all agricultural commodities were maintained consistently above the average of the years 1909-1913 throughout the war and post-war periods until 1929-1930. Exports of all commodities except cotton, chiefly feedstuffs, increased greatly during the war years as a result of a decline in European agricultural production and increased European demand growing out of war conditions. Since the war exports of foodstuffs have fallen off sharply. Before 1929 this was largely due to the recovery of agricultural production in the European importing countries, which was aided by trade barriers, and to the expansion of agriculture in agricultural surplus countries. ("World Trade Barriers in Relation to American Agriculture", Letter from the Secretary of Agriculture, Senate Document No. 70, Page 15, 16)

##### Expansion of American Production

The production of certain crops in the United States was expanded during the war and has remained on a level higher than the pre-war level since then. The production of other crops, notably cotton, was reduced during the war by boll-weevil damage. In most cases, expansion in certain areas has been accompanied by contraction elsewhere. The net result of these diverse trends as between crops and areas is an aggregate volume that has shown only a slight upward trend during the past 20 years, contrasted with the marked upward trend prior to 1910. Crop production outside the United States (including certain crops not produced in the United States) declined sharply during the active period of the World War, particularly in Europe. ("Economic Trends Affecting Agriculture", Page 27)

Hog slaughter declined in Germany and Denmark during the war, and increased in the United States. This country expanded its exports of hog products by about 200 percent, or the equivalent of 10,000,000 hogs. ("Economic Trends Affecting Agriculture", Page 28)

Better machinery, finer breeds of grain and animals, rust-proof and drought-resistant wheat brought a great technical evolution of agriculture. The American farmer increased his efficiency to such a degree



that he could and did produce two to five times as much per man as similar workers in the older European countries not so well adapted to large-scale methods. ....Mastery of the art of high production was an epic achievement, but productivity, uncontrolled, swept away most of the reward. The farmer's efficiency grew, but his income dwindled. Agriculture's share of the National income was 17 percent in 1909, and only 9 percent in 1928. ("Recovery from the Grass Roots", G-6, Page 4.)

It began with the immense war-time expansion of acreage by patriotic farmers responding to the appeal that food must win the war. Then occurred the cruel deflation of agricultural values, starting in 1920. American surpluses pressed upon waning European markets, which bought for a time with borrowed American money. Europe gradually resumed its farm production. The United States had changed from a debtor to a creditor nation. ("Recovery from the Grass Roots", by George N. Peek, Page 4)

Finally, the exportable surplus of farm products became unexportable. World consumption of American cotton declined 2,000,000 bales in 1930 as compared with 1928. Wheat exports, including flour, fell from an extreme high of 370,000,000 bushels from the 1920 crop to an extreme low for this generation of one-tenth that amount in 1932. Exports of hog products have declined nearly two-thirds from the war-time peak of the 1918-19 crop year. ("Recovery from the Grass Roots", by George N. Peek, Page 5.)

#### Change from Debtor to Creditor Status

We went into the World War owing other nations 200 million dollars annually on interest account. We came out of it with other nations owing us more than 500 million dollars annually. Other nations now owe us annually on interest account more than 1 billion dollars. They are compelled in consequence to reduce their purchases here, all the more since we do not afford them a market for their products. The struggle of the debtor countries for agricultural self-sufficiency, and their natural inclination to buy where they can sell, make it inconceivable that the foreign demand for American agricultural products will expand sufficiently in the near future to absorb our surpluses. ("Yearbook of Agriculture, 1934", Page 5)

The United States faced the necessity of receiving from the debtor countries an increasing quantity of goods and services in payment of their obligations. This result was postponed up to 1930 by further lending. But only by lending indefinitely, in ever-increasing amounts, could this country in the long run avoid importing more than it exported. .... Our excess of exports over imports remained larger on the average between 1924 and 1930 than before the war not only because we loaned much capital to foreign countries but also because American tourists made large expenditures abroad and because emigrant remittances and ocean freight payments were heavy. The depression weakened all these supports of the export trade. ("Yearbook of Agriculture, 1934", Page 5, 6.)



V. AGRICULTURE FOLLOWING THE WAR

The Collapse in 1920

The cessation of war loans in 1920 was accompanied by the cessation or sharp reduction of other Government expenditures connected with the war both in the United States and other countries..... Prices and business activity declined sharply for several months. .... In view of the decline of foreign lending and of the large debt payments due to the United States from foreign countries, the excess of exports over imports inevitably fell to a very low level. ("World Trade Barriers in Relation to American Agriculture", Senate Document No. 70, Page 31.)

As a result of the World War, Europe's acreage in certain crops was 82,000,000 less in 1920 than in the pre-war years. Partly to meet this deficit, the acreage in 13 crops in the United States was increased 31,000,000. The aggregate acreage of Canada, Argentina, and Australia was increased 26,000,000. In the United States there has been little change in acreage since 1920. Europe's acreage has been restored and in 1932 exceeded the pre-war acreage by 10 percent. Acreage in Canada, Argentina, and Australia in 1932 was 15,000,000 greater than in 1920 and 41,000,000 greater in 1909-1913. ("Economic Trends Affecting Agriculture", Page 26)

European Production Restored Rapidly

Since 1918 the restoration of European production has been rapid and, together with expansion in other countries, has brought the volume of crop output outside the United States to about 40 percent above the pre-war level, and in line with the trend of former periods. ("Economic Trends Affecting Agriculture", Page 27)

Foreign Wheat Production Restored

After the war Europe restored its wheat production. It increased the output from 1,100,000,000 bushels in 1922 to 1,500,000,000 bushels in 1932. As a result American exports of wheat to Europe declined. They were less than 20,000,000 bushels in 1932, as compared with 150,000,-000 bushels in 1922. ("Economic Trends Affecting Agriculture," Page 30)

Germany and Denmark Restore Hog Production

After the war, Germany and Denmark restored their hog production. They carried it in fact to a point above the pre-war level. American exports of hog products consequently declined. The war-time increase disappeared. ("Economic Trends Affecting Agriculture", Page 28)

\* \* \* \* \*

As the supply of tobacco in four competitive European countries expanded about 100,000,000 pounds between 1923 and 1931, the United States



exports of fire-cured tobacco declined by somewhat more than 100,000,000 pounds. ("Economic Trends Affecting Agriculture", Page 29)

Expansion of Production Outside Europe

As already indicated, American agricultural exports have been greatly affected by changes of agricultural production in foreign countries. .... Since the war Europe has gradually restored its agricultural production to pre-war levels and has even advanced it beyond that point. .... The result has been a substantial curtailment of European requirements for imported foodstuffs. ("World Trade Barriers in Relation to American Agriculture", Letter from the Secretary of Agriculture, Senate Document No. 70, Page 24, 25)

Meanwhile, aided by improvements in production technique, production continued to expand in Canada, Australia, Argentina, and other exporting countries, competing with the United States in European markets. The return of Russia as an important exporter in 1930 further intensified competition in European markets. ("World Trade Barriers in Relation to American Agriculture", Letter from the Secretary of Agriculture, Senate Document No. 70, Page 25)

Crop Acreage changes in Leading Agricultural Regions, 1909-1932 \*

Year	United States :(Million acres)	Europe (excluding Russia) :(Million Acres)	Russia :(Million Acres)	Canada, Argentina, Australia :(Million acres)
1909-13	290	250	282 **	99
1920	321	210	.....	125
1925	321	240	263	125
1930	327	250	303	151
1932	320	247	337	140

\*Figures include: For United States, wheat, corn, oats, barley, rye, cotton, tame hay, potatoes, sweet potatoes, flaxseed, buckwheat, tobacco, and rice; for Europe, excluding Russia, wheat, corn, oats, barley, rye, potatoes, sugar beets; for Russia, all crops; for Canada, field crops; for Argentina, wheat, corn, oats, flaxseed, barley, rye, and alfalfa; for Australia, all crops.

\*\* 1913 only.

(Table from "World Trade Barriers in Relation to American Agriculture", Letter from Secretary of Agriculture, Senate Document No. 70, Page 24.)

Collapse of Exports, and Reason

Before the war, America exported 21 percent of its wheat, 66 percent of its cotton, 39 percent of its tobacco, 1.6 percent of its corn, and 12 percent of its hog products. During the war, the acreage harvested



was sharply increased, with comparable increases in most exports. For a time after the war, these exports were maintained, but toward the end of the 1920's they fell off. In the 1930-33 period most of them declined disastrously. In those years, though production had fallen but little from its pre-war figure, America exported 11 percent of its wheat, 58 percent of its cotton, 33 percent of its tobacco, 0.2 percent of its corn, and 6 percent of its hog products. ("Agriculture's Interest in America's World Trade", Page 1)

In terms of volume, world trade in 1933 was reduced to approximately 70 percent of its 1929 level; in terms of value, to but 35 percent of its 1929 level. The value of American foreign trade declined from 9.6 billions in 1929 to 3.1 billions in 1933, a decline of approximately three fourths. ("Agriculture's Interest in America's World Trade", Page 7).

#### Effect on Price

Between 1925 and 1929 the national income advanced from nearly 82 billion to over 91 billion dollars, while total gross income from farm production remained practically unchanged. ("Economic Bases for Agricultural Adjustment Act", Page 6)

General deflation came in 1921. All prices tumbled. The decline in prices of farm products was more extreme than the fall in the general price level. Although farm land values, except in rare instances, never had been capitalized, on the basis of the extreme price levels of 1919, they collapsed and farm land became almost unsalable. (Address by Rexford G. Tugwell, "Economic Freedom and the Farmers", at Buffalo, New York, April 28, 1934. Page 3)



## VI. AGRICULTURE IN CRISIS TODAY

At the beginning of the 1932-1933 season nearly 400 million bushels of wheat were on hand in the United States. So were 13 million bales of cotton. The 1932 crop of the most important kind of American tobacco totaled 374 million pounds. Eleven billion seven hundred million pounds of live swine swarmed on American farms where 100 million acres were planted in corn to feed them. ("Achieving a Balanced Agriculture", Page 5.)

These excess supplies were far larger than the yearly carry-overs which form a normal part of the American system of agriculture.....The surpluses which depressed prices throughout the post-war period were in addition to carry-overs that were adequate to meet unusual domestic needs. The farmer's ability to produce, by the beginning of 1933, had outrun the demand of his market; most of the things he had to sell could not be sold except at a price far below his cost of production; some of these things were present in greater quantities than could be used by the entire consuming group within the farmer's reach. ("Achieving a Balanced Agriculture", Page 8)

### Why Was There No Market For the Farmer's Goods?

The United States, which had been a debtor nation, became a creditor nation. Instead of sending out surplus goods abroad to pay our debts, we were in a position to receive the surpluses of other nations' goods to pay their debts. But we failed to make arrangements which would permit this. We increased our tariff and at the same time insisted on debt payments by European nations. The tariff, by keeping out their goods, made it difficult for them to pay their debts to us, and the combination of the tariff and the debts made it difficult for them to buy from us. ("Achieving a Balanced Agriculture", Page 11)

International lending facilitated the expansion of the agriculture of certain new countries in competition with the United States. It will be observed that Argentina, Australia, and Canada, the principal agricultural competitors of the United States, were among the principal borrowers..... During the years preceding 1929, as international debts accumulated, their payment became increasingly difficult..... The debtor countries were therefore liable at any time to be required to make a drastic and difficult readjustment in their balances of trade, involving either a reduction of imports or an increase of exports. ("World Trade Barriers in Relation to American Agriculture", Page 33)

In the emergency we had thoroughly unbalanced price and production relationships between agriculture and industry. Prior to 1933 agriculture did not reduce its production appreciably, but city industries reduced their production greatly. From 1929 to the spring of 1933 farm production dropped only about 6 percent while farm prices dropped 63 percent. In the same period the output of farm implements dropped 80 percent, of motor vehicles 80, of cement 65, of iron and steel 83, of auto tires 70 percent. Yet with these great restrictions of industrial output there was relatively little reduction in industrial prices--farm implements dropped only 6 percent



in price, motor vehicles 16, cement 18, iron and steel 20, and tires 33 percent. The search for maximum profits was tending to develop a "Scarcity economics", in which perennially the output of industrial production was reduced unduly, while prices remained so high that many consumers had to stay out of the market. ("Report of the Secretary of Agriculture, 1934", Page 5)

By the spring of 1933 the whole relation between agriculture and industry was thoroughly out of adjustment. Agricultural production was practically as high as ever while industrial production was at an extremely low level; for prices the situation was reversed--agricultural prices were away down, yet industrial prices had dropped relatively little. The basic recovery problem was to raise industrial production without raising those industrial prices which had not fallen, and at the same time to raise agricultural prices without reducing production beyond the need to compensate for the decline in the foreign market and eliminate surpluses. ("Report of the Secretary of Agriculture, 1934", Page 5)

#### What are prospects for Increased Exports?

##### Cotton

Sales abroad of America's greatest agricultural export, cotton, depend almost exclusively on foreign purchasing power. Existing limitations on American cotton exports are chiefly due to low levels of consumers' incomes, reflected through the textile industries of the important purchasers, rather than to legal restrictions. Several countries, including Germany, recently have placed direct barriers in the way of cotton imports. Sales abroad also are affected by foreign competition; if American export prices were to be held too high, competition from foreign cotton would be encouraged. ("Agriculture's Interest in America's World Trade", Page 17)

Inasmuch as the demand for American cotton depends primarily on the ability of foreign consuming countries to pay, and their ability to pay rests largely upon the imports this country is willing to accept, cotton is likely to be benefited more by the use of tariff bargaining for the general restoration of foreign trade than by reciprocal trade agreements specifically involving cotton. Pending such revival, cotton exports are unlikely to increase, and might even decrease. ("Agriculture's Interest in America's World Trade", Page 17)

##### Wheat

In spite of the fact that there are important tariff restrictions of recent date against American wheat, the prospects of increasing exports through tariff negotiations are less hopeful than in the case of other products. Protective tariffs recently imposed by other countries have in a number of cases stimulated production in those countries to such an extent that their home markets are largely supplied from that source. ("Agriculture's Interest in America's World Trade", Page 19)



Pork Products

The United States has normally been the largest exporter of lard to the German market, selling 126 million pounds of lard in Germany in 1933. On March 1, 1934, Germany limited lard imports to 40 percent of her 1931-33 imports, and raised the existing duty of 17.98 cents a pound by a monopoly fee of an amount not yet determined. ("Agriculture's Interest in America's World Trade", Page 20)

\* \* \* \* \*

The obstacles to getting back America's pork markets are serious, though possibly less serious in the case of pork than of wheat. This country will have a comparative advantage over other countries in the production of ham, and in both the United Kingdom and Germany the recent restrictions have reduced consumption by decreasing imports more drastically than domestic production has increased. By tariff negotiation, therefore, it may be possible to increase American exports to these countries without decreasing any great amount of domestic production. ("Agriculture's Interest in America's World Trade", Page 20, 21)



IS AMERICAN AGRICULTURE IN CRISIS?

II. THE FALL OF FARM PRICES 1909-1914 TO 1933

Changing Relationships Between Gross Farm Income and Operating Costs?

How Do Present Farm Income and Costs Compare to Pre-War Levels?

What Costs Are Most Inflexible? What Percentage of Farm Income Do They Represent?

What Happened to Exports?

What Happened to Farm Prices?

Gross Income from Farm Production, 1909-1933.

Did Prices Paid by Farmers Increase in This Period?

How Did the Buying Power of Cotton Decline?

How Much Did the Buying Power of Hogs Decline?

What Happened to the Buying Power of Wheat?



IS AMERICAN AGRICULTURE IN CRISIS?

III. WHY PIONEER AMERICA (1790-1920) COULD PRODUCE TO CAPACITY.

Increase in Population.

Growth of the City.

How Did Improved Machinery Reduce Need for Farm Workers?

What Was the Effect of the World War on Agricultural Development?

How Have Industrial Conditions Affected Agriculture?

What Was the Trend of Prices of Agricultural and Nonagricultural  
Products?

What Part Did Exports Play?



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IV. HOW THE WAR USHERED IN A NEW ERA.

How Did the War Stimulate American Production?

What Happened in Europe to Cause a Decline in American Exports

After the War?

What Was Agriculture's Share of the National Income?

What Brought About Change from Debtor to Creditor Status for  
United States?

How Did This Change Contribute to Agricultural Depression?



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V. AGRICULTURE FOLLOWING THE WAR.

What Brought About the Collapse in 1920?

How Did Restored Foreign Wheat Production Affect American  
Exports?

How Did Restored Hog Production in Germany and Denmark Affect  
American Exports?

What Effect Did Production Outside of Europe Have on American  
Exports to Europe?

What Caused the Collapse of Exports?

What Effect Did This Decline in Exports Have on Price?



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VI. AGRICULTURE IN CRISIS TODAY.

What Was the Surplus in Wheat? Cotton? Tobacco? Corn-hog?

Why Was There no Market for the Farmer's Goods?

How Did the Tariff Affect the Farmer's Situation?

How Did Price and Production Relationships Compare Between  
Agriculture and Industry?

What Is Needed to Bring About Balance in the Relation  
of Agriculture and Industry?

What Are Prospects for Increased Exports?

What Are the Prospects for Increasing Cotton Exports? Wheat?  
Pork Products?

